

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

RATE ADJUSTMENT DUE TO EXTRAORDINARY
OR EXCEPTIONAL CIRCUMSTANCES

Docket No. R2013-11

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2, QUESTION 9**
(November 8, 2013)

The Postal Service hereby files its response to question 9 of Presiding Officer's Information Request No. 2, issued on October 23, 2013. The question is stated verbatim, and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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9. Pursuant to the 2010 Annual Compliance Determination, please provide:
- a. An explanation of how the proposed prices for Standard Mail Flats will move the Flats cost coverage toward 100 percent.
 - b. A statement estimating the effect that the proposed prices will have in reducing the intra-class subsidy of the Flats product.
 - c. All workpapers and data used to respond to subparts (a) and (b).
 - d. An updated schedule of future above-CPI price increases for Standard Mail Flats.

RESPONSE:

- a-b. As demonstrated in the excel workbook, *StandardFlats[Exigent].xlsx*, filed with this response, the Postal Service expects that Standard Mail Flats' cost coverage will increase to 87 percent in FY2013. The Postal Service estimates that the combination of the exigent price adjustment, and anticipated cost savings, will further increase Standard Mail Flats' cost coverage to 92.1 percent in FY 2014. Similarly, the unit contribution shortfall for Standard Mail Flats is estimated to fall to 5.8 cents in FY2013 and 3.4 cents in FY2014, thereby reducing the intra-class subsidy. Accordingly, the Postal Service believes that the exigent price adjustment proposed in this case fully complies with the Commission's Order in the FY2010 ACD.
- c. See excel workbook, *StandardFlats[Exigent].xlsx*, filed with this response.
- d. The Postal Service reaffirms its commitment to giving Standard Mail Flats above-average price increases of at least CPI x 1.05 in 2015 and 2016, as was approved by the Commission in the FY12 ACD. As the Postal Service stated in

its Annual Compliance Report, filed on December 28, 2013, it does not believe that the schedule should be extended to post-2016 price increases at this time, as the Commission is slated to review the inflation-based price cap rules in 2016 pursuant to 39 U.S.C. § 3611(d)(3). With this reservation in mind, the updated table of future price increases is included below.

Year	Planned Flats Price Increases
2015	CPI * 1.05
2016	CPI * 1.05